

Investing in S&P 500 Stocks

Do Size and Value Still Matter?

Maggie Schutter

Advisors: Dr. Robert Dean and Dr. Tony Caporale

- **Study Purpose**

In this study I test

Two hypotheses: (1) Small cap stocks outperform large cap stocks and (2) value stocks outperform growth stocks.

- **Period of Analysis: 2009-2016**
- **Stock Universe: S&P 500**
- **Firm Size: Stock's market value**
- **Value/growth: Stock's price to book**
- **Research Design**
 - **Stocks sorted by**
 - (1) Market Value and
 - (2) Price to Book
 - **Top and bottom 50 stocks by size and value used to form portfolios of 25 stocks each**
 - **Portfolio Characteristics**
 - (1) Large Cap Value (LCV)
 - (2) Large Cap Growth (LCG)
 - (3) Small Cap Value (SCV)
 - (4) Small Cap Growth (SCG)
 - **Portfolio Weighting Factors**
 - (1) HMV – Highest Market Value
 - (2) LMV – Lowest Market Value
 - (3) H P/B – Highest Price to Book
 - (4) L P/B – Lowest Price to Book

Table 1				
Cumulative Returns				
2009 - 2016				
Value vs. Growth				
Factor	Large Cap		Small Cap	
	LCG	LCV	SCG	SCV
HMV	122%	100%	203%	406%
LMV	132%	172%	490%	620%
H P/B	186%	129%	253%	398%
L P/B	140%	155%	236%	696%

Table 2				
Cumulative Returns				
2009-2016				
Small vs. Large				
Factor	SCV	LCV	SCG	LCG
HMV	406%	99%	203%	122%
LMV	620%	177%	489%	132%
H P/B	398%	129%	253%	186%
L P/B	696%	155%	236%	140%

- **Conclusion:**

- **LCV vs LCG: Results mixed; Hypothesis not confirmed**
- **SCV vs SCG: Hypothesis confirmed**
- **SCV vs LCV: Hypothesis confirmed**
- **SCG vs LCG: Hypothesis confirmed**
- **Best Overall Performance: SCV**